

Decision-Making Stratagems for Public Sector Accounting Reforms in India – Institutional Perspectives

Abstract

While International Financial Reporting Standards (IFRS) convergence has been the face of the global accounting standardisation movement for the past few decades, accounting reforms in the public sector had started to gain momentum from the late 1990s. The first major step towards adopting international accounting standards for the public sector is to transit from cash to accrual basis of accounting. This is then followed by the adoption or adaption of International Public Sector Accounting Standards (IPSAS) which are significantly influenced by principles of IFRS. This paper analyses the socio-economic and political contexts that shape the decision-making process of regulatory institutional re-arrangements for public sector accounting reforms in India. By analysing these contexts this paper attempts to arrive at answers for contradictory scenarios and rhetoric shaping the dynamics of such decision-making in countries moving towards these accounting reforms. Such analysis helps explain the dissemination of global accounting reforms through the perspectives of the local actors or rule-takers and the ways through which their understanding and interpretation of global ideas feed forward to shape the global context of rule-making. The paper draws upon and combines the concepts of institutional theory and transnational governance used in different studies to generate a theoretical framework suitable to analyse the socio-economic and political contexts of a developing country moving towards accounting reforms in the public sector.

1. Introduction

Public sector accounting reforms across the globe commenced as early as the 1980s (McGregor, 1999; Groot and Budding, 2008). These reforms, mainly focusing on a transit from cash to accrual accounting, formed a part of the wider movement for increasing public efficiency and accountability (Ahn, Jacobs, Lim and Moon, 2014) driven by the emergence of the ideas of New Public Management (NPM) (Oulasvirta, 2014). Several subsequent accounting reforms, however, occurred as a result of criticisms of NPM reforms. One of the major characteristics of these reforms is a shift from emphasis on administration of services to emphasis on management. Hence there has been an alteration in the traditional stewardship role of accounting to a role of cost management which symbolises the move towards accrual accounting (Lapsley, 2001). Critics pointed out that this focus on management has widened the gap between citizens and the state (Oakley, 2002; Noordhoek and Saner, 2004) which in turn has considerably reduced citizens' trust in public services (Welch, Hinnant and Moon, 2004). Factors such as policy failures, political scandals, inability of governmental and economic performance to meet public expectations (Peters, 1999; Nye, 1997) and the information gap between the state and the public (Mutz and Flemming, 1999) were identified as reasons for decline in public trust. In consequence to these concerns, financial accountability assumed greater significance in the renewal of state policies (Chan, 2003).

More recently, the financial crisis of 2007-08 acted as a catalyst to bring about greater demand for transparency and accountability. High levels of debt, budgetary instability

and deficits of governments also strengthened the argument for accounting reforms in the public sector (Bergman, 2010; Ball 2012). Ensuing developments in public sector accounting reforms led to the development of the IPSAS issued by the International Public Sector Standards Board (IPSASB) which is supported by the International Federation of Accountants (IFAC). While global accounting reforms in the private sector have been marked by the IFRS convergence movement, accounting reforms in the public sector are characterised by an initial move to accrual accounting followed by IPSAS convergence (Christiaens, Reyniers and Rolle, 2010). The necessity of a harmonised set of accounting standards in the public sector has been debated by several researchers (OECD, 1993, 1994; Welch, et al, 2004; Oakley, 2002). Some of the main arguments put forward in favour of IPSAS are increased effectiveness and accountability of public service delivery (OECD, 1993, 1994), providing information about the financial activity of public administration, supporting the explanation and increasing the comparability of macro-economic accounting (Benito, Brusca and Montesinos, 2007) and aiding international organisations that utilise public financial information of different countries. A frequently proposed argument in support of accrual accounting reforms in the public sector is that the market value of structured loans would be replaced for nominal value which would be more appropriate. However, this argument was contested by Ellwood and Newberry (2016) who stated that the stance on this issue often depends on views about the purpose and users of financial reporting.

Accounting reform in the public sector is mainly characterised by a shift from cash accounting to accrual accounting (Mellet and Ryan, 2008; Lapsley, Mussari and Paulsson, 2009). Hence one of the focal points of the debate on necessity of a global set of accounting standards in the public sector is the cash versus accrual accounting

argument. Supporters have argued that accrual accounting caters to the democratic demands of the public for greater transparency, responsiveness and accountability, while on the other hand the cash accounting system is useful only to the extent of monitoring legal compliance and for purposes of administrative decision-making (Pina, Torres and Yetano, 2009).

The IPSAS convergence process of a country initiated by the transition from cash to accrual accounting system often witnesses the manifestation of these arguments in different forms of negotiations. India had commenced the decision-making process for accrual accounting reforms eventually aiming for IPSAS convergence in the public sector since 2002 in response to couple of major political scams (GASAB, 2004). In making progress towards achieving this goal, 21 out of 29 provinces in the country have been stated to commence trials of applying accrual accounting systems at the local government level (GASAB, 2011).

This paper responds to a call by Ahn et al. (2014) to further explore the ‘self-evident and rhetoric claims’ (pp. 43) of increased efficiency, accountability and transparency in the public sector made by policy-makers of accounting within individual countries that undertake accrual accounting reforms.

This study analyses the socio-economic and political contexts that shape decision-making process for public sector accounting reforms in India. By analysing these contexts this paper attempts to arrive at answers for contradictory scenarios and rhetoric shaping the dynamics of such decision-making in countries moving towards these accounting reforms. The research question addressed in this paper is, ‘how are public sector accrual accounting reforms initiated and undertaken in the context of an emerging

economy?’. Such analysis helps explain the dissemination of global accounting reforms through the perspectives of the local actors or rule-takers and the ways through which their understanding and interpretation of global ideas feed forward to shape the global context of rule-making. The paper draws upon and combines the concepts of institutional theory and transnational governance used in different studies to generate a theoretical framework suitable to analyse the socio-economic and political contexts of a developing country moving towards accounting reforms in the public sector.

This paper makes three important contributions. Firstly, it makes a methodological contribution by providing an in-depth analysis of the events that constitute the decision-making process and the role of institutional influences that propel a country towards accrual accounting reforms in the public sector. Gaining an understanding of the decision-making process enables to comprehend the rationales and actual reasons for such reforms. Secondly, this paper combines concepts of institutional theory and transnational dynamics to generate a framework that visualises and explains the flow of influences across national and transnational institutional fields to shape accrual accounting reforms in the public sector. Thirdly, the findings of this study add to extant literature on the role of accounting reforms in the ongoing move towards establishing improved mechanisms of public accountability, especially in developing countries.

The rest of this paper is structured as follows. Section 2 introduces and discusses the theoretical perspectives and framework while Section 3 presents the research methodology. Section 4 presents a discussion and analysis of empirical evidence on the accrual accounting reforms in the country followed by the discussion of conclusions in Section 5.

2. Theoretical Approach and Framework

Public sector accounting reforms have been explored and analysed through multiple theoretical dimensions frequently focusing on the links between modern political ideas and the conversion of these ideas into practice within organisations (Antipova and Bourmistrov, 2013). For example, the theory of travel of ideas (Kurunmaki, Lapsley and Miller, 2011) has been used to explain the dynamics of interactions between changes in accounting instruments and ideas of accounting reforms in both local and transnational contexts and diffusion theory (Rogers, 1995) has been used to explore the range and extent to which organisational practices incorporate and implement accounting systems (Bjornenak, 1997). Some of the widely used concepts of institutional theory in exploring transnational and local contexts of accounting reforms are discussed below.

2.1 Institutional Perspectives of Accrual Accounting Reforms in the Public Sector- Transnational and National Contexts

Institutional theory has been used as an analytical lens in various national and few transnational contexts of accrual accounting reforms (Antipova and Bourmistrov, 2013). The coercive, normative and mimetic mechanisms of isomorphism propounded by DiMaggio and Powell (1983) have been extensively adopted and adapted to explore these reforms (Carpenter and Feroz, 2001; Oulasvirta, 2014). Institutionalisation and de-institutionalisation are two key themes that emerge from review of theoretical approaches used to analyse accrual accounting reforms.

Three main repertoires of institutionalisation that have been used in extant literature to examine various socio-political and economic contexts of accrual accounting reforms are - organisational institutionalism, societal institutionalism and world system institutionalism (Djelic and Quack, 2008).

Traditional characterizations of organisational institutionalism are restricted to analysing the interactions of the organisation with institutionally legitimised procedures and prototypes of its external environment and how such interactions re-shape organisational practices (Parsons, 1956; Weber, 1978). Organisations have been conventionally perceived as social systems that are responsive and adaptive to influences channelled through the broader social and institutional context in which they exist (Blau, 1955; Selznick, 1949). Djelic and Quack (2008) signify the need to reset the restrictive lens through which organisational institutionalism is analysed, mostly focusing on organisations within local arenas or at the industry level. The contemporary realms of organisational institutionalism has acquired transnational dynamics that extend beyond local or industry confines. National decision-making arenas have evolved into transnational fields that are structured through ‘vertically layered institutional orders’ (Djelic and Quack, 2008, pp.4). This is increasingly true of national accounting regulatory arenas which have been undergoing constant transformation driven by both transnational and national actors (Djelic and Sahlin-Andersson, 2006). Djelic and Quack (2008) expand the scope of organisational institutionalism as an analytic tool to study cross-border diffusion of practices, prototypes and regulations. The use of organisational institutionalism to examine transnational diffusion has mostly seen the application of isomorphism as a key characteristic in explaining the process.

However, several researchers argue that the diffusion of ideas across national boundaries does not always lead to imitation (Sahlin-Andersson and Engwall, 2002; Zucker, 1977). Others point out that even imitation of practices involves some extent of innovation that transforms the original template (Westney, 1987; Djelic and Quack, 2008). Translation of foreign ideas to suit the local context quite often results in divergent outcomes due to socio-cultural differences (Czarniawska and Sevón, 1996; Sahlin-Andersson, 1996). Using transnational dynamics of organisational institutionalism to study the convergence of international accrual accounting practices in the public sector significantly contributes towards addressing questions on the extent of harmonisation or homogenisation achieved through such convergence (Djelic and Quack, 2008).

Societal institutionalism analyses and explains various components of the firm such as firm structure, stakeholder relationships and employee skill development in relation to the social and institutional environments or fields in which they operate (Hall and Soskice, 2001). However, in doing so, most studies treat the institutions involved as more or less closed systems that operate in isolation (Drori, Meyer and Hwang, 2006). Traditionally, the main focus of societal institutionalism has been on institutions such as the government, educational institutions, financial organisations, labour market systems as well as principles and norms that define relationships of trust and authority (Djelic and Quack, 2008). Such narrow foci is rendered outdated in the current era of increasingly transnational arenas of regulations, trade and economic activities (Brunsson and Jacobsson, 2000; Drori et al, 2006). Attempts to incorporate transnational dynamics into societal institutionalism led to three different routes of analysis. The first route focuses on conflict of interests between different actor groups

in the society which could eventually lead to an institutional change (Almond and Rubery, 2000) and the co-existence of numerous but less dominant institutional repertoires within a predominant institutional framework (Schneiberg, 2007).

The second path explores the role of organisations such as multi-national companies that operate in transnational arenas constituted of numerous institutional contexts with multiple and at times contradictory regulatory systems (Harzing and Sorge, 2003; Kirsten and Zeitlin, 2001). The third and rarely used route proposed by Djelic and Quack (2008) calls for the analysis of the ‘transnational arena as an institutionalised or institutionalising space’ (pp. 8). This concept of transnational institutionalism provides a lens that analyses institutional changes as being driven by ‘co-evolutionary interactions’ between local and transnational institutional fields leading to reconfigurations of existing practices (Djelic and Quack, 2008).

World system institutionalisation explores the role of dominant institutional frames composed of cultural norms and symbolic arrangements in economically powerful societies that are diffused across relatively weaker societies as global or transnational norms which then lead to institutional changes in those societies (Jepperson, 2000; Djelic and Quack, 2008). Djelic and Quack (2008) point out that Anglo-Saxon actors of professional fields such as banking and finance enjoy a ‘trademark’ advantage which renders them powerful in processes of diffusion. For example, the role of Big 4 audit firms in global standard setting processes have been found to be dominant and persuasive both at the global level where standards are framed as well as at the local level where these standards are implemented (Botzem, 2012; Oulasvirta, 2014). However, very few researchers focus on understanding the procedures and modes of

operations through which such norms are absorbed by local actors to accommodate these ‘transnational blueprints’ into local institutional models. One example is, Humphrey and Samsonova-Taddei (2014) who discussed the growth in transnational co-operative initiatives bringing together national actors such as inter-state discussion fora and globally focused co-operative initiatives by the national professional accountancy bodies.

While institutionalisation of transnational ideas has been identified as a major phase of accrual accounting reforms in the public sector, deinstitutionalisation also plays an equally significant role (Oulasvirta, 2014). Deinstitutionalisation has been found to be a determinant of the extent of institutionalisation of these ideas. Tolbert and Zucker (1996) discuss the presence of strong resistance against deinstitutionalisation of deeply rooted accounting cultures that make it very challenging to institutionalise ideas of accounting reforms proposed by IPSAS. Therefore, deinstitutionalisation is more viable in contexts where established practices, traditions and institutional orders are perceived as being inadequate or obsolete (Rovik, 1996). Hence, the perception of new ideas and visions as being useful and necessary could lead to institutionalisation of those ideas while simultaneously leading to deinstitutionalisation of existing ideas and practices (Antipova and Bourmistrov, 2013). A review of different studies using the concepts or processes of institutionalisation and deinstitutionalisation to study accounting reforms suggests that both processes are interlinked and necessary to bring about institutional changes in existing accounting systems (Czarinawska and Joerges, 1996). Some other factors that trigger deinstitutionalisation are political, functional and social pressures (Djelic and Quack, 2008). While political pressure could initiate from powerful actors from within or outside the local arena driven by specific interests, functional pressures

could result due to technical and economic inadequacy of existing systems (Oliver, 1991). Social pressures often occur due to fragmentation of existing organisational environment due to a decline in consensus on the normative and institutional rules among members. Such a situation would lead to some extent of deinstitutionalisation of existing practices followed by attempts to institutionalise practices that have been successfully used to resolve similar issues in other countries (Djelic and Quack, 2008).

This paper draws on theoretical ideas from the concept of transnational institutionalism (Djelic and Quack, 2008) that explores processes of ‘institutional recombination’ (pp.19) or rearrangements that occur as a result of interactions between multiple actors operating with various ‘mental and action maps’ (pp.11) hailing from different institutional contexts. The next sub-section presents a framework suited to analyse the Indian context and drawn from the concepts discussed above.

2.2 The Framework

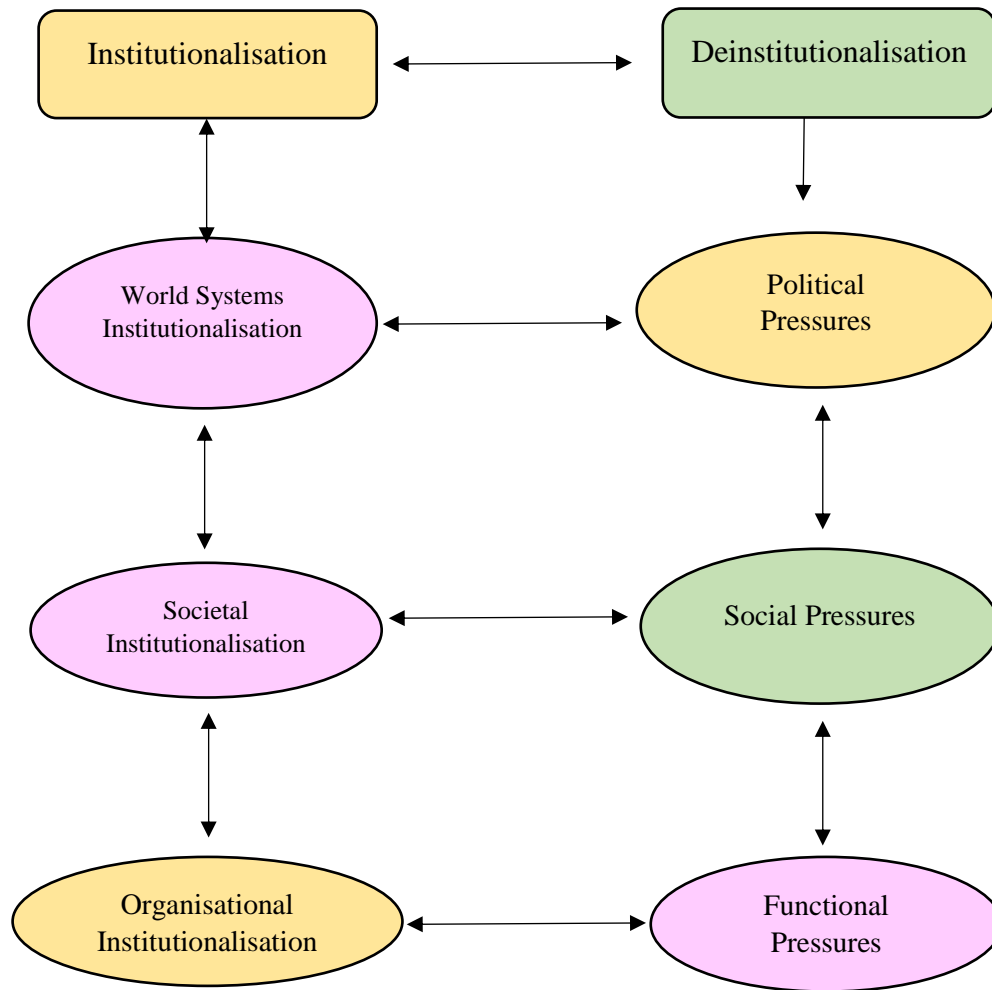


Figure 1

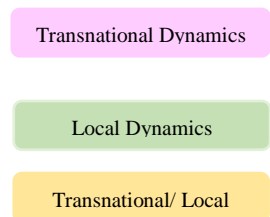


Figure 1 presents an interconnected conceptual structure that would help examine the transnational dynamics of institutional changes occurring in the movement for IPSAS convergence in India. Institutionalisation is framed as a transnational occurrence as it initiates from the global arena and subsequently percolates into the local arena. Deinstitutionalisation on the other hand is essentially perceived as a local phenomenon

driven by interlinked types of pressures exerted from both the transnational and local institutional fields and occurring within the context wherein new ideas or institutional orders are replacing or modifying existing systems. The three forms of institutionalisation - world, societal and organisational assume different manifestations in the context of accrual accounting reforms in the public sector in India. The detailed analysis of these issues within the Indian context are presented in Section 6 of this paper.

Oulasvirta (2014) while citing the multiplicity of studies on accrual accounting systems of governments, also cites the lack of country-specific studies exploring accrual accounting reforms towards IPSAS adoption. This study responds to this call by focusing on the accrual accounting reforms pursued in India.

3. Research Methods

Documentary analysis was a major source of empirical data used in this study. Different types of documents published over a period of 14 years from 2000-2014 were analysed. Interviews with 10 key actors participating in the decision-making process for convergence also provided significant evidence. Information gathered from interviews was used to corroborate evidence obtained from documentary analysis and vice-versa. Interviewees were selected on the basis of accessibility as well as target groups identified during preparation for field work.

Preparation for field work commenced with preliminary analysis of online sources of media articles and reports to identify key actors driving the decision-making process for convergence. In addition to such secondary sources, personal contacts were also used

to identify key actors. Three members of Indian professional accounting bodies were personally known to the researcher. They occupied roles that required them to work with senior government officers in the decision-making process for convergence.

This study conducted semi-structured interviews based on an interview guide that included key themes and theoretical concepts identified from an extensive review of literature. Some of these themes and concepts included societal institutionalisation, organisational institutionalisation, as well as transnational and national institutions. The interview guide used these themes for the background study before interviews and also to frame interview questions. Open-ended questions were used to encourage the interviews to share their experiences in their own words and at the desired pace (McCracken, 1988). The order of the questions posed were altered and at times some of the questions were skipped to suit the context of interviews (Saunders, Thornhill and Lewis, 2012). During some of the interviews, 'planned prompts' were used where the interviewee tended to diverge from the main issue. All except two interviews were conducted face-to-face. A couple of interviews were conducted over Skype. Interviews with senior government officials could not be recorded as permission was not granted due to regulations. Evidence gathered from such interviews were manually transcribed during and soon after the interviews.

The first round of interviews with 3 members of national professional accounting bodies were conducted in July 2012. In April 2013, 5 government officials, 1 member of an international financial institution and 1 member of an international accounting organisation were interviewed. Government officials included 3 representatives of Ministry of Finance (MoF) and 2 representatives of Government Accounting Standards

Board (GASAB). Some of these interviewees were re-interviewed through Skype or phone in May 2014 so as to fill in gaps that emerged during analysis of data collected during the first two rounds of interviews and also to obtain updates on progress made in the decision-making process. All interviewees occupied senior positions within their respective organisations and played important roles in the decision-making process. Further details on interviews such as interview codes and duration of interviews is provided in Appendix 3.

Documentary Analysis

This study made use of a wide range of documents to collect evidence as well as corroborate the information provided by interviewees. Table 1¹ presents a broad classification of documents analysed along with further details of such analysis. Appendix 3 presents a further classification of the categories and numbers of documents analysed to gather evidence.

An in-depth comparative analysis of documents presented in Table 1 was carried out to validate information gathered through other secondary sources or interviews. For example, information regarding an event held to discuss public sector accounting reforms that was published in a newspaper was corroborated by analysing documents obtained from websites of organisations stated to play an important role in the decision-making process.

Table 1 Documentary Analysis

¹ Please see below

Types of Documents	Details of Analysis
Press Releases/reports/articles	<p>Relevant media articles on accounting convergence were identified based on an online search using the key words such as ‘public sector accounting reforms in India’ and ‘accrual accounting reforms in government of India’. Review of shortlisted articles helped to trace few key actors such as the relevant government officials leading the process and the existence of debates and delays in the convergence decision-making process. Details obtained from these articles such as names of personnel and ministries involved in decision-making along with information derived from organisational reports of professional bodies, government agencies and regulatory agencies was used to establish contacts and trace other key actors for example, representatives of concerned government ministries and standard-setting bodies in the decision-making process.</p> <p>Online media sources reviewed to collect data also included 62 press releases made by key government agencies and 45 press releases by national standard setting authorities. Such data helped to fill in several gaps in the information obtained from newspaper articles and often indicated some significant decisions or announcements made by the government and national standard setting bodies. This also assisted in preparing interview questions regarding the different events/interactions published in these materials.</p>
Organisational Documents and Reports	Documents and reports published by organisations were used to gather information regarding several key events such as international conferences and programmes run by international financial institutions that triggered the decision-making process, subsequent high level meetings organised by the state and seminars organised by the state and professional accounting bodies. These documents and reports were issued by national and international organisations which organised the events or had participated in the proceedings
Websites of Organisations	A wide range of information sources were obtained from the websites of various organisations such as state agencies, professional accounting bodies national and transnational regulatory bodies and international financial institutions involved in the decision-making process. These included speeches made by senior government officials at significant events, annual messages of presidents of professional accounting bodies, joint memorandum notices issued by national and transnational actors of state and non-state categories.

4. Discussion and Analysis of Evidence

This section focuses on analysing the evidence from the public sector. The narration of events constituting the decision-making process for convergence is presented in sections 4.1, 4.2 and 4.3. From the analysis, it is inferred that India's decision to converge with IPSAS in the public sector was triggered by institutional influences at both the transnational and national levels. Institutional influences at the transnational level were exerted through pre-existing relationships between local and transnational institutional fields.

4.1 Societal (De) Institutional Influences at National Level - Triggers and Responses

Communications and collaboration between the state and IFIs for improving public financial management and accountability in the country with specific focus on transition to accrual system of accounting had started as early as 2002. In the local context, political scams such as Operation West End² in 2001 (Dugger, 2001) led to public demand for greater accountability of public finances (Thampu, 2001)). In response to these public demands, the 11th finance commission made recommendations to the CAG of India to constitute a task force to provide or suggest budget and accounting formats of Urban Local Bodies (ULB). Accordingly, in February 2002, the CAG of India constituted a task force to provide or suggest budget and accounting formats of ULBs

² Operation West End was a first sting operation carried out in 2001 by Tehelka, a news magazine pursuing investigative journalism. The purpose of the sting was to expose murky defense deals to the public. Release of video CDs of the operation on the 13th of March 2001 by Tehelka led to a political storm in India. It revealed that the defence deals were driven by the greed of politicians and bureaucrats rather than considerations of national security (Thampu, 2001).

(CAG, 2002). The recommendations of the Commission were intended for general reforms in public financial management of rural and ULBs. Although accrual accounting was not specifically mentioned, the subsequent recommendations of this task force constituted a significant step towards accrual accounting.

State responses to societal institutional pressures were characterised by attempts to engage with transnational institutions that were perceived as significant sources of legitimacy. The Report prepared by the CAG task force was accepted and forwarded by the state in April 2003 to provincial governments for implementation. The Ministry of Urban Development (MoUD) while reviewing the progress of the application of these recommendations decided that the CAG in conjunction with the Indo-USAID³ Financial Institutions Reform and Expansions Project-Debt and Infrastructure Component (Indo-USAID FIRE-D Project) should prepare a National Accounting Manual that would then be forwarded to the provincial governments by the MoUD (USAID, 2004). The USAID has been stated to be actively involved in promoting accrual accounting in municipal bodies in India through financial and technical support (IF2).

According to a senior member of the USAID, the organisation has its regional offices in India which employs mostly local staff members who actively participate in conferences, seminars and meetings on convergence with international accounting standards. Hence these local offices act as the channels of influences between transnational and national institutional fields.

The evidence also seems to indicate that institutional influences could be conveyed through both formal and informal channels. For example, one interview stated,

³ United States Agency for International Development (USAID)

“The meetings and conferences are used as a platform to commence communications with representatives of government bodies and professional associations which are often followed up by informal communications as well” (IF2).

To follow up on these initiatives led by the GOI, the provincial government of Orissa (GOO) during the period of February to May 2003 approached the WB to conduct a State Financial Accountability Assessment (SFAA) in that province. The assessment was conducted by a South Asian Region Financial Management (SARFM) task team which also included members from the Department for International Development (DFID) and South Asia Poverty Reduction and Economic Management (SASPR)⁴.

The key messages demonstrated in this event are the presence of dominant societal institutional influences that further led to attempts at organisational institutional changes by the government. In its attempt to win public trust and regain its legitimacy, the government approached institutions such as the World Bank to bring in reforms. These international financial institutions while being perceived as a source of legitimacy also in reality act as channels of conveying institutional norms and arrangements emerging from powerful economic societies in the transnational arena that promote into relatively weaker economic societies; in this case propelling the country towards the decision to pursue accrual accounting reforms. The reports of these assessments often contained clear indications encouraging convergence with international accounting standards. For example, one of the recommendations of the SFAA report stated:

⁴ This assessment falls under the Country Assistance Strategy (CAS) for India of the WB wherein financial accountability assessments are to be carried out in all provinces that are preparing programmatic adjustment loans that support reforms related to fiscal and fiduciary risk management. The CAS is a programme where the WB in collaboration with GOI would engage in actively providing both financial and technical advice on various sectorial reforms in the country (WB, 2004).

“IPSAS requires that final accounts disclose comparative information in respect of the previous period for all numerical information contained therein. Except for the summary statements of finance accounts, such comparative information, which facilitates an understanding of changes in government activity from year to year, is not being provided. We recommend that comparative information for the previous year be provided in all government annual financial statements” (SFAA, 2004).

Hence in 2004 two significant documents were published; the National Municipal Accounting Manual (NMAM) by CAG-USAID, and the SFAA report. The significant point about the NMAM was that it prescribed a shift to accrual accounting principles based on the recommendations of the task force (USAID, 2004). On the other hand, the SFAA report, also published by the WB in 2004, pointed out among other things a lack of compliance with IPSAS cash accounting as one of the areas where Orissa was still not making sufficient progress. The report stated that,

“A detailed comparison of the above mentioned IPSAS with standards practices by the GOO (Government of Orissa), reveals significant deviations from IPSAS, which need to be addressed at the national level, where the standards are determined” (SFAA, 2004).

Furthermore the report also recommended that standards should be brought into greater alignment with IPSAS requirements within the confines of the existing framework. The report identified that a change in the accounting policies is not a provincial issue, and needs to be considered at the national level. It is interpreted that these recommendations were taken into consideration by the GOI in moving towards IPSAS convergence in the same year.

The potential impact of such influences on the convergence decision-making process needs to be viewed in the wider institutional context of long standing donor-recipient relations between the state and IFIs (Ramanna, 2012). Rising need for accountability promoted by new public management initiatives led to institutional changes in the lending arrangements of IFIs, such as demands to meet international standards of financial reporting by funds recipients (SFAA, 2004). Analysing the translation of these transnational influences into institutional changes in the local context adds to our understanding of the diffusion of international accounting standards and practices across the globe.

4.1.2 Organisational Institutional Reforms in Response to Societal Institutional Influences

Recommendations for implementation of accrual accounting for the central and provincial governments by the Twelfth Finance Commission in its report in 2004 (for the future period of 2005-2010) marked a significant step towards (de)institutionalisation of organisational accounting practices of the government. The central government accepted this recommendation. The explanatory memorandum of the report presented a two-step action to be taken by the GASAB: a) Recommending or planning a roadmap for transition from cash accounting system to accrual accounting system, b) Preparing an operational framework depicting the structure of the accrual accounting system including the accounting and treatment of assets, liabilities, revenue and expenses and the final accounts of the governments according to constitutional provisions and also satisfying the budgetary requirements (GASAB, 2011a; GB 2, PB 3). The recommendations of the Twelfth Finance Commission could be interpreted as

an organisational institutional reform in response to the SFAA report which enables the visualisation of the convergence decision as a result of two-way interactive process between transnational and national institutional ‘fields. It provides a logically plausible explanation for the occurrence of the events that mark the convergence decision in this time period. There are two reasons which led to this interpretation. The first reason is the time sequence of these events. The SFAA assessment carried out in 2003 and publishing of the report in 2004 occur immediately before the Twelfth Finance Commission recommendations. The second reason is that although the recommendations of the SFAA report are directly addressed to the provincial government, it indirectly seems to address the central government on the necessity to take action at national level. Also since the provincial governments in dealing with transnational bodies do require central government approval, all such events occur with the knowledge of the central government and hence there is indirect involvement of the latter in these proceedings to a certain extent. The flow of these events show the manner in which decision-making processes are shaped and constituted through a series of transnational and local communications within and across institutional fields.

4.2 Societal and Organisational Institutionalisation at the Transnational Level

While the recommendations of the Twelfth Finance Commission represented organisational reforms within the country, institutional networks between government accounting bodies of different regional countries demonstrates the transnational nature of organisational institutional reforms that were undertaken at the national level. The Association of Government Accountants of Asia (AGAOA) was formed in 2004 by the member countries to share their experiences in the field of public financial management, accrual accounting, risk based audit and internal controls (AGAOA, 2011). Representatives from the respective ministries of finance of all the member countries constitute the association. The Indian Institute of Government Accounts and Finance (INGAF) which is a training institute of the MoF, is secretariat of the association (INGAF, 2011). AGAOA has been receiving financial assistance under the International Development Fund (IDF) grant system as well as technical assistance from the WB for improving the public financial management system in member countries. All the seminars and conference held by the AGAOA are attended by a WB official as an observer (AGAOA, 2011, PB 2).

The key point to be noted here is the coming together of accountants representing governments of different countries in the region to address common issues such as corruption and government accountability essentially demonstrate the cooperation and exchange of ideas between transnational institutional fields leading to organisational institutional reforms within the national context.

Similarly, the ICGFM in 2004 organised the ‘Joint Professional Development Programme on Public Sector Accounting and Financial Reporting’ in India to enable the sharing of different kinds of experiences on public sector accounting with specific focus on some important aspects in the Indian context; in particular, the move from cash accounting to accrual accounting. The members of ICGFM include state entities handling financial management responsibilities; that is high level government executives, representatives of MoF, accountants and auditors general from countries across the world. (ICGFM, 2008). In his inaugural speech, the CAG noted,

“A need to revisit the conceptual underpinnings of government accounting systems has been felt in India largely due to realisation of deficiencies in the cash based system particularly for purposes of modern financial management and the need for greater transparency and user friendliness”.

This acknowledgement of deficiencies in the existing government accounting system soon after the political scams clearly indicate the societal and functional pressures that triggered such attempts for institutional reforms.

The CAG further pointed out that the need to focus on the framing of appropriate financial reporting standards and the training of government accountants to equip them with new accounting skills. The International Organisation for Supreme Audit (INTOSAI) and the IFAC Public Sector Committee (PSC) were stated to be significant sources of reference points for the development of standards for government accounts (GASAB, 2004a, GB 2). This further highlighted the linkages between national and transnational institutional fields in the public sector accounting arena.

On the local front, GASAB in accordance with the recommendations of the Twelfth Finance Commission constituted two committees to handle the creation of the roadmap and preparation of the operational framework. The members of GASAB include representatives from railways, post and telecom, MoF, presidents of the two main professional bodies, ICAI and Institute of Cost and Works Accountants of India, and director of the National Council of Applied Economic Research (NCAER) (PB1, GASAB, 2008).

Societal/ socio-economic institutional influences on the convergence decision-making process also emerged from the transnational arena. Such influences played an important role in promoting convergence with international accounting standards in order to counter common corruption issues. The ADB and the OECD in collaboration with the UN, in 2005, organised an anti-corruption initiative in Pakistan where the significance and necessity of adopting international accounting standards was emphasised. India was represented at the seminar by a senior member of the central government (ADB, 2005). It is also interesting to note that participants who are Official Development Assistance (ODA) recipients are funded by the initiative and India is among countries receiving funds to attend the seminars (OECD, 2012). Hence it can be observed that the sources of transnational institutional influences that were pushing for convergence played an important role in the socio-economic development of India. In addition to OECD, the ADB is also an important donor agency which has provided financial and technical support to projects in India in the past and continues to do so⁵. In addition to these, accounting reforms projects funded by the EU was also successfully completed by the

⁵ For example, financial support was provided by ADB in 2005 for the 'Multitranche Financial Facility (MFF) - Rural Roads Sector II Investment Program' and the 'Kerala Sustainable Urban Development Program' (ADB, 2012).

ICAI in 2006⁶ (ICAI, 2010). However, a point to be noted is that despite some such projects being completed successfully, political scams involving large amounts of money continued to occur in the country (Unnithan, 2006; Burke, 2010). This leads one to contemplate on the potential disparities between the rationales and actual reasons driving such reforms.

In 2007/08, the committees constituted by the GASAB drew up a roadmap and an operational framework for transition to accrual accounting. The roadmap proposed that the transition should take place in three stages; a) Value addition within the current system by supplementary statements on salaries, subsidies and pension. This could be a short term activity (b) Value addition in the current system with slight alterations to enable greater disclosures such as arrears in revenue and committed liabilities which could be a medium term activity (c) Attaining the required accounting system in the long-term based on accrual system. The roadmap proposed a period of ten to twelve years as a reasonable time frame to achieve the targets keeping in view the differences in the extent to which different departments were prepared for the transition. Although the committee dealing with preparation of roadmap suggested that individual departments draw out their own detailed roadmap based on the needs and specific characteristics of their jurisdictions, it did lay out a broad framework of activities/work items that could be used by the former to create a detailed roadmap. Some of these activities included creating a task force/cell for implementation and coordination, building adequate database essential for implementation of accrual accounting and

⁶ According to a report, this project was awarded to the ICAI by the Delegation European Commission. The project aimed to draw on the European experience of reforms to introduce accounting and financial reforms in City Governments. The ICAI was stated to have succeeded in achieving a high quality of output and was appreciated by the European Commission (ICAI, 2010).

conducting pilot studies on a few ministries/provincial governments to assess the gap between the existing system of accounting and the proposed one (GB 1, GASAB, 2008a).

Evidence of decision-making process up until this point indicates that institutional influences have been formal through both direct and indirect means. Analysis of evidence revealed three layers of direct transnational institutional influences on the decision-making process from IFIs, professional bodies and state agencies or departments of countries such as the US and the UK. For instance, the direct influence of IFIs on the decision-making process is supported by clear evidence of SFAA assessments conducted specifically in India as also in the case of preparation of NMAM. Also the report on the assessments makes very unambiguous recommendations to the GOI for IPSAS convergence. On the other hand, ADB and OECD have been promoting convergence with international accounting standards through platforms organised for socio-economic and political causes such as building development strategies and fighting corruption. Hence this influence is interpreted to be indirect. It could be interpreted that the reasons for the acceptance of such influences by the state, given the continuing occurrences of political/corruption scams, is the need for legitimacy at both local and transnational levels is an important factor. This implies that the state while appearing to take steps to bring about greater accountability, does not seem to be sincere in achieving the end results. Interviewees, however, suggested that there are power centres in the state that wish to genuinely bring in greater public accountability. Deep rooted corruption, however, has been cited to thwart such attempts (MoF 1).

4.3 World Systems Institutionalisation –Professional and Financial Channels of Influence

The concepts of world system institutionalisation when applied in the context of this study manifest as transnational institutional influences conveyed through direct and indirect channels. Direct influences often occurred in the form of financial assistance provided by transnational financial institutions such as the World Bank. Indirect influences were often channelled through transnational platforms or forums that promoted institutional norms and ideas largely suited to the context of developed countries and practiced in powerful economic societies. Active promotion of such norms and ideas gradually institutionalises them into global norms or world systems (Djelic and Quack, 2008). A key point to be noted here is that participation of members in such platforms is often voluntary.

For example, in 2009 India had become a (rotating, voluntary) member of IPSASB. Interviews have revealed that the IPSASB conferences and meetings have served as one of the platforms for communications between members representing different countries and transnational organisations such as IFIs. IFAC as a facilitator of the structures and processes that support the operations of IPSASB, was also involved in these conferences and meetings (GB 2). According to a senior member of the government, these conferences were observed by the WB, IMF, UN, OECD and MNCs. Being observers, these organisations have no voting rights. Hence officially any opinion expressed by them could be overruled if the members voted against it; however, interviewees participating in these conferences revealed that in the practical scenario this never happened (GB 1). The interviewee further explained,

“The comments/suggestions/opinions made by the observers were almost always accepted and were not opposed. This is because member countries were aware that these huge organisations were wealthy and in powerful positions” (GB 2).

The voluntary participation of India and other developing countries in such conferences is interpreted to be the result of societal and organisational institutional influences exerted at the national level. For example, the societal response to political scams in India had led the state to seek increased legitimacy both at the national as well as the transnational level. In seeking such legitimacy and attempting to follow global norms, the country does become a voluntary recipient of indirect institutional influences from transnational institutions.

Responses to such influences in India occurred through local developments in 2009. In May that year, GASAB organised the National Roundtable Conference on accrual accounting in which provincial finance secretaries from across the country had participated. The conference was also attended by WB officials. The platform was used to discuss various issues regarding the transition to accrual accounting such as the format of financial statements for the union and provinces, pilot studies in states and a five-year time frame for a national roll out of accrual accounting system (MoF, 2009; MoF 2). By 2009, the central, provincial and local government had also been making preparations for facilitating a ‘bubble up’ approach to transition to accrual accounting. This meant that the initiative for accrual accounting would start at the local government level and then gradually ‘bubble up’ to the provincial and central government level (WB, 2010). In 2009, the Thirteenth Finance Commission took some important steps to push forward the migration to accrual accounting system. It conducted reviews of the

previous Finance Commission and also held consultations with provincial and local governments. The Commission sent out exhaustive questionnaires to provincial governments and other associated organisations to examine issues such as finances of ULBs, accounting and audit practices and implementation stage of recommendations made by previous commissions. On finding the implementation progress unsatisfactory, the Commission laid out 9 mandatory conditions to obtain one half of the grant that was previously available in full amount to all provinces unconditionally. The other half was still unconditionally available to all provinces. Reforms recommended were listed along with compliance mechanisms for the same. One of the major recommendations of the Thirteenth Finance Commission was,

“The states (provinces) should implement in all ULBs an accounting framework consistent with the accounting format and codification pattern suggested in the National Municipal Accounts Manual. This implies that all ULBs should introduce accrual based double entry accounting system as per the National Municipal Accounts Manual which has been agreed by all the states (provinces) and are in the process of customizing and adopting the Manual” (MoUD, 2010).

The events that followed these steps prove that the recommendations had the necessary and intended impact on the provincial and local governments. Based on the recommendations of the two finance commissions and GASAB, it was decided that pilot studies should be conducted in a couple of provinces⁷ before proceeding to the final overall convergence (GASAB, 2008). However, according to a senior government official, funding these pilot studies was an issue.

⁷ Provinces of Andhra Pradesh and Madhya Pradesh had agreed to undertake pilot studies.

“They (the provincial governments) were ready to carry out these pilot studies but wanted them to be funded by the central government. The central government, at the time, was not in a position to fund these studies” (MoF 3).

At this stage, in 2010, the WB stepped in, according to the interviewee and agreed to fund these pilot studies. In addition to financial aid from the WB, these studies also received technical support from transnational professional organisations. For instance, the pilot study conducted in Andhra Pradesh received technical assistance from Deloitte. This is also an example of transfer of transnational institutional practices into the local context. To carry out the pilot study, two departments under the provincial government were selected model formats for Annual Financial Statements (AFS) were conceptualised, based on IPSAS, IGFRS and few international experiences. The model formats were filled in on the existing cash based AFS and on the new piloted formats in the respective departments. Part of the analysis also included comparison of several aspects of AFS with those of UK, New Zealand, Canada and Australia (GASAB and CAG, 2010). These are some examples of the sources of organisational institutional influences that transmit transnational accounting practices into the local context.

In the case of the pilot study in Madhya Pradesh, the technical assistance was provided by the IPAI and was financially aided by the WB. Financial aid from the World Bank is perceived to be a direct source of institutional influence on the accounting reforms. The specific objective of this pilot study was to identify gaps between the existing cash accounting system and accrual system. It aimed to identify issues that would arise on actual migration to accrual accounting specifically in the case of Plant, Property and Equipment and Inventories (WB, 2010). By 2011, more than 48 ULBs across seventeen

provinces had switched over to accrual accounting. Four provinces had adopted accrual accounting for Panchayati Raj Institution, and sixteen provinces had adopted the Model Accounting System that is amenable to accrual accounting system (GASAB, 2011b). The professional bodies at both the national and transnational front have also been communicating to drive the process ahead. These communications between professional bodies include a visit to New Delhi by the Chairman of IPSASB Mr. Andreas Bergmann in 2012 during the course of which he met members of the ICAI and the Joint Secretary (Budget) to the MoF to discuss international convergence to IPSASs. The president and vice-president of ICAI, and a few ICAI central council members were also present on the occasion (ICAI, 2012). In March 2013, the Chief Executive Officer (CEO) of IFAC, Fayezul Choudhury met several members of ICAI and CAG to discuss accounting auditing and assurance issues (IICA, 2014). So it appears that the GOI was taking important and proactive steps towards achieving IPSAS convergence. It had made relatively significant progress in terms of achieving a consensus of provincial governments for adopting accrual accounting and being able to actually commence implementation of accrual accounting systems in 21 out of 29 provinces. These initiatives of the government are interpreted to be significant organisational institutional reforms in response to multiple forms of institutional influences that are societal, organisational and from world systems. Recurrence of political scams despite the efforts of the state have been attributed to organisational loopholes in institutional practices that allow corruption to take place without being caught. The official steps taken by the state that continues to participate and be a recipient of influences that drive accrual accounting reforms in the country, however, does match its rhetoric. It is an analysis of the effectiveness of these steps that prompts one to contemplate on the purpose of the process.

The flow of institutional influences on the decision-making process through the state as the key decision-maker are depicted in Figure 2.

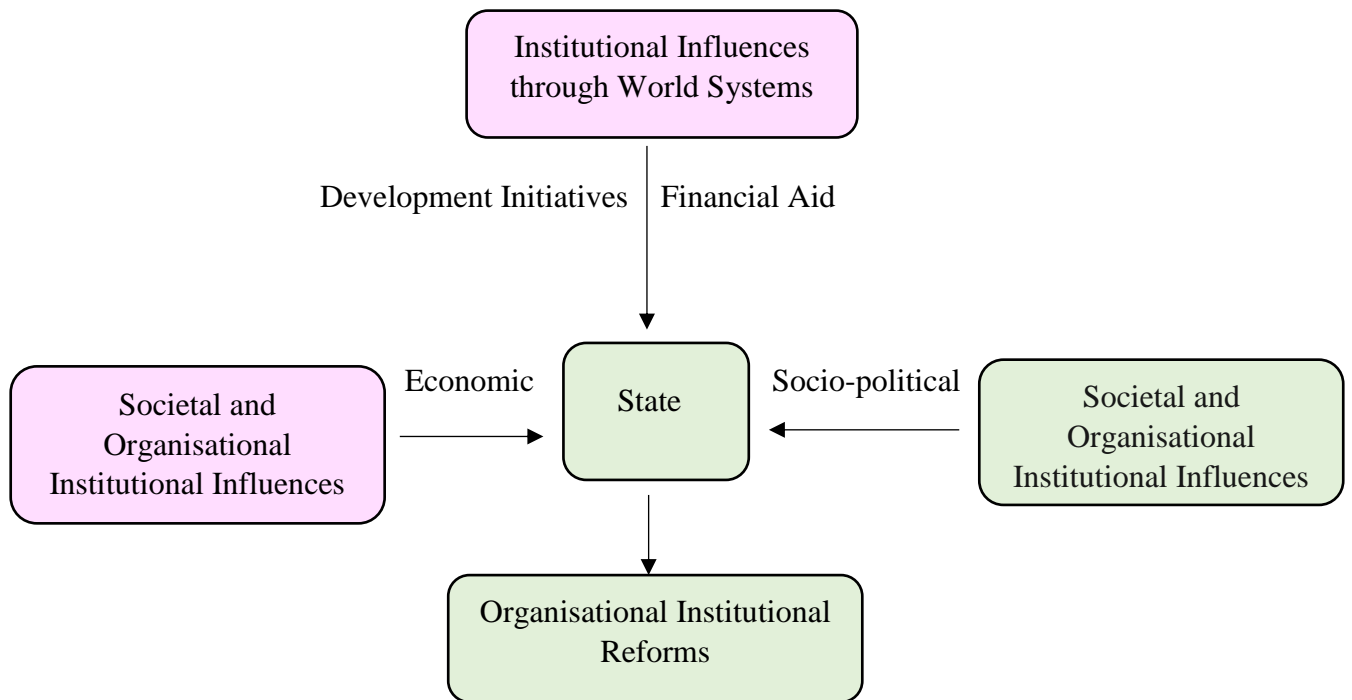
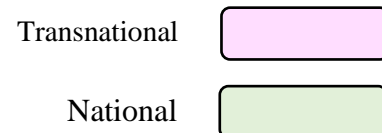


Figure 2 Outcome of Evidence Analysis



5. Conclusion

The decision-making process of IPSAS convergence in India is being mainly led by the state at the local front and shaped by complex institutional influences emerging from the local as well as the transnational context as depicted in Figure 2. The findings of this study demonstrate that transnational organisations such as the World Bank and OECD while mainly functioning to provide aid to developing countries also act as significant carriers of institutional norms and ideas. Evidence also indicates that this role is not restricted to international financial and development organisations. Transnational professional institutes and organisations also act as conveyers of institutional practices. For example, Deloitte providing technical assistance for pilot studies in India emphasises the variety of transnational institutional influences on the decision. WB has been seen to be constantly involved through their presence at even national level conferences organised for provincial governments. Analysis of events constituting the decision-making for accrual accounting reforms in the public sector shows the presence of formal institutional influences that are both direct and indirect in nature. There has been no explicit evidence of informal influence although it is probable that informal influences may have been exerted. However, this research has picked up only formal influences which seem to have been successful in driving the process ahead. In addition to the influences presented above, the accounting systems followed in UK, US, Canada and Australia could also be stated to be indirect sources of institutional influences as the GASAB had clearly cited these transnational accounting systems as guiding sources of inspiration for preparing the converged IGFRS. However, a key point to be noted here is that despite drawing heavily from IPSAS to create the new

accounting standards, the government has not fully adopted IPSAS and has only converged with IPSAS since it is maintaining a distinct identity. This means that the newly created standards are named IGFRS and not IPSAS.

Extant literature on convergence with international accounting standards as well as accrual accounting reforms in the public sector, mostly focuses on the phases where the standards or practices are being actually implemented by the country. This study makes three significant contributions. Firstly, it makes a methodological contribution by focusing on the decision-making process that ensues before the actual use of international standards in public sector accounting reforms and demonstrates the significant role that institutional influences play in defining such decision-making processes. The role of these institutional influences also draw attention to the probable disparities between rationales and actual reasons for government accounting reforms undertaken by developing countries. Secondly, this paper makes a theoretical contribution by providing a framework that combines and visualises the flow of multiple forms of institutional influences between local and transnational institutional fields. This framework could be adapted to analyse accrual accounting reforms in other developing and developed countries. And finally, this study adds to the extant literature on the decision-making processes that drive accrual accounting reforms in the public sector. The analysis and discussion of evidence in the Indian context demonstrates that institutional influences that are societal, organisational, and emerging from world systems play an important role in the ongoing accrual accounting reforms. It contributes to research on the role of accounting reforms in the drive for enhanced public accountability, especially in the context of developing countries. It further adds to our understanding of the myriad forms in which institutional influences are channelled and applied to shape the public sector accounting reforms within a national context.

REFERENCES

- Adhikari, P. and Mellemvik, F. (2010). “The adoption of IPSASs in south Asia: a comparative study of seven countries”, *Research in Accounting in Emerging Economies*, Vol. 10, pp. 171–201.
- Adukia, R.S. (2012). “A study on government accounting in India - some recent developments” [Online] Available at www.caaa.in [Accessed on 30th June 2015].
- Ahn, P. D., Jacobs, K., Lim, D-W. and Moon, K. (2014). “Beyond Self-Evident: Recognising the Problematic Political Context of Accrual Accounting Adoption in South Korea”, *Financial Accountability and Management*, Vol 30 (1), pp. 25-48.
- Almond, P. and Rubery, P. (2000). “Deregulation and societal systems”, in Maurice and Sorge (eds.), pp. 277–293.
- Antipova, T. and Bourmistrov, A. (2003). “Is Russian Public Sector Accounting in the Process of Modernization? An Analysis of Accounting Reforms in Russia”, *Financial Accountability & Management*, Vol. 29(4), pp. 442–478.
- Arnaboldi, M. and Lapsley, I. (2004). “Modern costing innovations and legitimation: a health care study”, *Abacus*, Vol. 40(1), pp. 1–20.

Ashraf, J., and Ghani, W. (2005). "Accounting development in Pakistan", *International Journal of Accounting*, Vol. 40(2), pp. 175-189.

Asian Development Bank, (2005). "Addressing domestic and transnational corruption: meeting international standards", United Nations [Online] Available from (<http://www.oecd.org/site/adboecdanticorruptioninitiative/regionalseminars/35165601.pdf>). [Accessed on 21st January 2014]

Association of Government Accountants of Asia, (2011). [Online] Available at www.agaoa.org/India.htm [Accessed on 15th November 2011].

Athukorala, S.L. and Reid, B. (2003). "Accrual Budgeting and Accounting in Government and its Relevance for Developing Member Countries", *Asian Development Bank*, Manila.

Ball, I. (2012). "Transparency in the public sector", *Public Money & Management*, Vol. 32(1), pp. 35–40.

Barton, A. D. (2004), "How to Profit from Defence: A Study in the Misapplication of Business g to the Public Sector in Australia", *Financial Accountability & Management*, Vol. 20 (3), pp. 281–304.

Benito, B., Brusca, I. and Montesinos, V. (2007). “The harmonization of governmental information systems: the role of the IPSASs”, *International Review of Administrative Sciences*, Vol. 73(2), pp. 293–317.

Bergman, A. (2010). International Public Sector Accounting Standards, *Proceedings of the International Seminar on Public Sector Accounting*, Belo-Horizonte [Online] Available at www.cfc.org.br [Accessed on 28 June 2013].

Bjornenak, T., (1997). “Diffusion and accounting: the case of ABC in Norway”. *Management Accounting Research*, Vol 8, pp.3–17.

Blau, P. M. (1955). “The Dynamics of Bureaucracy”. Chicago: University of Chicago Press

Brunsson, N. and Jacobsson, B. (2000). *A World of Standards*. Oxford, UK: Oxford University

Brusca, I., Montesinos, V., and Chow, D.S.L. (2013). “Legitimizing International Public Sector Accounting Standards (IPSAS): the case of Spain”, *Public Money & Management*, Vol. 33(6), pp. 437-444.

Burke, J. (2010). “India's rulers lose £22bn in massive mobile phone scam”, *The Guardian*, 16 November [Online] Available at <https://www.theguardian.com/world/2010/nov/16/india-corruption-government> [Accessed on 15 January 2014].

Botzem, S. (2012). *The Politics of Accounting Regulation: Organizing Transnational Standard Setting in Financial Reporting*, Cheltenham and Northampton MA: Edward Elgar.

CAG of India, (2002). “Audit of local bodies – a collaborative approach”, [Online] Available from (<http://www.saiindia.gov.in/>) [Accessed on 10 October 2012].

Carpenter, V. L. and Feroz, E.H. (1992), “GAAP as a Symbol of Legitimacy: New York State’s Decision to Adopt Generally Accepted Accounting Principles for External Financial Reporting”, *Accounting, Organizations and Society*, Vol. 17 (7), pp. 613–43.

Carvalho, J., Jorge, S. and Fernandes, M. (2007). “Conformity and Diversity of Accounting and Financial Reporting Practices in Portuguese Local Government”, *Canadian Journal of Administrative Sciences* Vol. 24(1), pp.2–14.

Chan, J. L. (2003). “Government accounting: an assessment of theory, purpose and standards”, *Public Money & Management*, Vol. 25(1), pp. 13–20.

Chan, J. L. (2008). “International Public Sector Accounting Standards: conceptual and institutional issues”, [Online] Available from (<http://jameslchan.com>) [Accessed on 20 Jan 2011].

Chan, J.L. (2005). "International Public Sector Accounting Standards," *Encyclopedia for Public Administration and Public Policy* (Dekker, 2005).

Chiapello, E. and Medjad, K. (2009). "An unprecedented privatisation of mandatory standard-setting: the case of European accounting policy", *Critical Perspectives on Accounting*, Vol. 20(4), pp. 448–468.

Christiaens, J., Reyneiers, B. and Rolle, C. (2010). "Impact of IPSAS on reforming governmental financial information systems: a comparative study", *International Review of Administrative Sciences*, Vol. 76 (3), pp. 537–554.

Czarniawska, B. and B. Joerges (1996). "Travel of Ideas", in B. Czarniawska and G. Sevón (eds.), *Translating Organizational Change*. Walter de Gruyter: Berlin. pp. 13–48

Czarniawska, B. and Sevón, G. (eds.) (1996). *Translating Organizational Change*. Berlin and New York: Walter de Gruyter.

DiMaggio, P. and Powell, W. (1983). "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, Vol. 48 (2), pp. 147–160.

Djelic, M.-L., and Sahlin-Andersson, K. (2006), "Introduction: a world of governance: the rise of transnational regulation" In Djelic, M-L. and Sahlin-Andersson, K. (eds.)

Transnational governance: institutional dynamics of regulation. Cambridge: Cambridge University Press, pp. 1-30.

Djelic, M.-L. and Quack, S. (2008). “Institutions and transnationalization”. In: Greenwood, R., Oliver, C., Suddaby, R. and Sahlin, K. (eds) *The Sage Handbook of Organizational Institutionalism*, pp. 299–323. London: Sage.

Drori, G., J. Meyer and H. Hwang (eds.) (2006). *Globalization and Organization*. Oxford: Oxford University Press.

Dugger, C.W. (2001). “The Sting That Has India Writhing”, *New York Times*, 16 March, [Online] Available at <http://www.nytimes.com/2001/03/16/world/the-sting-that-has-india-writhing.html> [Accessed on 24 December 2013].

Ellwood, S. (2001), “Accruals Accounting Approaches in the UK Public Sector: Diversity and Convergence” in A.D. Bac (ed.), *International Comparative Issues in Governmental Accounting* Kluwer Academic Publishers, Boston. pp. 213–32.

Ellwood, S. and Newberry, S. (2016). “The conceptual underpinnings of international public sector accounting”, *Public Money & Management*, Vol 36 (3), pp. 231–234.

Government Accounting Standards Advisory Board (GASAB)(2011a). “Welcome address by deputy CAG on the occasion of state finance ministers corporation on accrual based financial reporting in government”, New Delhi: GASAB.

Government Accounting Standards Advisory Board (GASAB)(2011b). “Inaugural address by hon. Finance minister CAG on the occasion of state finance ministers corporation on accrual based financial reporting in government”, New Delhi: GASAB.

GASAB and CAG. (2010). “India- journey to government accrual accounting”, Andhra Pradesh: Deloitte.

Government Accounting Standards Advisory Board (GASAB) (2008). "A study on gap analysis of Indian government accounting with international standards", New Delhi: CAG.

Government Accounting Standards Advisory Board (GASAB) (2002). “Welcome speech by deputy CAG on first GASAB meeting”, New Delhi: GASAB.

Government Accounting Standards Advisory Board (GASAB) (2004a). “Inaugural address by CAG on the occasion of professional development programme on public sector accounting and financial reporting”, New Delhi: IPAI.

Groot, T. and Budding, T. (2008). “New Public Management’s Current Issues and Future Prospects”, *Financial Accountability and Management*, Vol 24 (1), pp. 1-13.

Guthrie, J. (1998). “Application of accrual Accounting in the Australian Public Sector- Rhetoric or Reality?”, *Financial Accountability & Management*, Vol. 14 (1), pp. 1–19.

Hall, P. and D. Soskice (eds.) (2001). *Varieties of Capitalism*. Oxford: Oxford University Press.

Harzing, A.W and Sorge, A. (2003). "The relative impact of country of origin and universal contingencies on internationalization strategies and corporate control in multinational enterprises", *Worldwide and European perspectives Organization Studies* Vol 24 (2), pp. 187-214.

Heald, D. (2003). "The Global Revolution in Government Accounting," *Public Money and Management*, Vol. 23(1), pp. 11-12.

Hopwood, A. (1984). "The Pursuit of Efficiency", in A. Hopwood and C. Tomkins (eds.), *Issues in Public Sector Accounting* (Philip Allan, Oxford), pp. 167–87.

Humphrey, C. and Samsonova-Taddei, A. (2014), "A crisis of identity? Juxtaposing auditor liability and the value of audit" In Di Pietra, R., McLeay, S. and Ronen, J. (eds.), *Accounting and Regulation: New Insights on Governance, Markets and Institutions*. New York: Springer Science and Business Media, pp. 111-132.

Huq, M. and Abrar, C. (1999). *Aid Development and Diplomacy: Need for an Aid Policy*. Dhaka: The University Press Limited.

Indian Institute of Corporate Affairs (2014). “Indian Institute of Corporate Affairs Brochure” [Online] Available from (http://iica.in/images/IICA_brochure.pdf) [Accessed on 2 December 2014].

Institute of Chartered Accountants of India (2012). “President’s Message”[Online]Available from (http://www.icaai.org/post.html?post_id=8828) [Accessed on 27 March 2013].

Institute of Chartered Accountants of India (2010). “Accounting Reforms in India – A bird’s eye view: with special reference to government accounting” [Online] Available from (<http://cpfga.icaai.org/wp-content/uploads/2013/06/Accounting-Reforms-in-India.pdf>) [Accessed on 30 April 2013].

Institute of Government Accounts and Finance (INGAF) (2009). [Online] Available at (<http://www.ingaf.in/INGAF/>) [Accessed on 23 December 2011].

International Consortium of Governmental Financial Management, (2008). “General Information”, *International Journal of Governmental Financial Management* Vol. 8 (2), pp.117-133.

Kristensen, P. H. and Zeitlin, J. (2001). “ The making of a global firm: Local pathways to multinational enterprise”, in Morgan et al. (eds.), pp. 172–195.

Kurunmaki, L., Lapsley, I. and Miller, P. (2011). “Accounting Within and Beyond the State”, *Management Accounting Research*, Vol. 22, No. 1(March), pp. 1–5.

Jepperson, R. (1991). “Institutions, institutional effects, and institutionalism”, in Powell and DiMaggio (eds.), pp. 143–163.

Jones, R. and Lüder, K. (2011). “The Federal Government of Germany’s circumspection concerning accrual budgeting and accounting”, *Public Money & Management*, Vol. 31(4), pp. 265-270.

Lapsley, I. (2001). “Accounting, Modernization and the State”, *Financial Accountability and Management*, Vol. 17(4), pp. 299-303.

Lapsley, I., Mussari, R., and Paulsson, G. (2009). “On the Adoption of Accrual Accounting in the Public Sector: A Self-Evident and Problematic Reform”, *European Accounting Review*, Vol. 18 (4), pp. 719–23.

Mackintosh, I., and Sutcliffe, P. (2003) “Coming of age”, *Australian CPA*, November, pp.71-73.

McCracken, G. (1988). *The long interview*. California: Sage.

McGregor, W. (1999). “The Pivotal Role of Accounting Concepts in the Development of Public Sector Accounting Standards”, *Australian Accounting Review*, Vol. 9 (1), pp. 3-8.

Mellett, H., and Ryan, C. (2008). “Special issue on public sector reform and accounting change: Guest editorial note”, *Journal of Accounting and Organizational Change*, Vol. 4(3), pp. 217-221.

Miller, P. (1994), ‘Accounting as Social and Institutional Practice: An Introduction’, in A. P. Miller (eds), *Accounting as Social and Institutional Practice* (Cambridge University Press, New York), pp. 1-39.

Ministry of Finance (2009). “Accrual accounting in government in five years’ time”, [Press Note] [Online] Available at (<http://finmin.nic.in/>). Accessed on [22 April 2013].

Ministry of Urban Development (2010). “Operationalising the 13th finance commission recommendations -urban local bodies” [Online] Available at (<http://asci.org.in/13thfc-urban/pdfs/13thFC-Compendium.pdf>) [Accessed on 28 January 2013].

Mir, M. Z. and Rahman, A. S. (2005). “The adoption of international accounting standards in Bangladesh”, *Accounting, Auditing & Accountability Journal*, Vol. 18(6), pp.816 –841.

Mutz, D. and Flemming, G. (1999). "How good people make bad collectives: a social psychological perspective on public attitude" In J. Cooper (ed.) "Congress and the Decline of Public Trust". Boulder: Westview Press. pp. 79–100.

National portal of India, (2015). "Constitution of India" [Online] Available at (<http://india.gov.in/my-government/constitution-india>) [Accessed on 30 May 2015].

Noordhoek, P. and Saner, R. (2004). "Beyond New Public Management: answering the claims of both politics and society", *Proceedings of the IX International Congress of CLAD on State and Public Administration Reforms*, Madrid. 2 –5 November, Madrid.

Neu, D., Ocampo Gomez, E., Garcia Ponce de Leon, O. and Zepeda, M. (2002). "Facilitating globalization processes: financial technologies and the World Bank", *Accounting Forum*, Vol. 26(3-4), pp. 257-290.

Nye, J. Jr. (1997). "Introduction: the decline of confidence in government" In J. Nye, Jr., P. Zelikow and D. King (eds.) *Why People don't Trust Government*. Cambridge, MA: Harvard University Press, pp. 1–18.

Oakley, K. (2002). "What is e-governance?", e-Governance Workshop, Strasbourg, 10–11 June.

Olson, O., Guthrie, J. and Humphrey, C. (1998). "Global Warning: Debating International Developments in New Public Financial Management". Oslo: Cappelen Akademisk Forlag.

Organisation for Economic Development (1993). *Accounting for what? The value of accrual accounting to the public sector*. Paris: OECD.

Organisation for Economic Development (1994). *Taxation of new financial instruments*. Paris: OECD.

Organisation for Economic Development (2012). "The DAC list of ODA recipients-factsheet" [Online] Available at (<http://www.oecd.org/dac/stats/49483614.pdf>) [Accessed on 24 July 2013].

Oulasvirta, L. (2014). "The Reluctance of a Developed Country to choose International Public Sector Accounting Standards of the IFAC. A Critical Case Study", *Critical Perspectives on Accounting*, Vol 24, pp. 272-285.

Parsons, T. (1956). "Suggestions for a sociological approach to the theory of organizations", *Administrative Science Quarterly*, Vol 1 (1), pp. 63–85.

Paulson, G., Mattisson, O., and Tagesson, T. (2003). "Sweden" In Luder, K. and Jones, R. (eds.) *Reforming Governmental Accounting and Budgeting in Europe*. Frankfurt: Fachverlag Moderne Wirtschaft, pp. 755-852.

Peters, B. G. (1999). *American Public Policy: Promise and Performance*. 5th Ed. New York: Chatham House.

Pina, V., Torres, L., and Yettano, A. (2009). "Accrual Accounting in EU Local Governments: One Method, Several Approaches", *European Accounting Review*, Vol. 18 (4), pp. 765-807.

Points, R. and Cunningham, R. (1998). "The application of international accounting standards in transitional societies and developing countries", *Advances in International Accounting*, Supplement, Vol. 1 (Supplement), pp. 3-16.

Rahman, A. (1997). "Public sector accounting and financial management in the context of a developing country: an empirical study of the VRA in Ghana". Unpublished PhD thesis. University of Waikato: Waikato.

Rahaman, A. and Lawrence, S. (2001). "A negotiated order perspective on public sector accounting and financial control", *Accounting Auditing & Accountability Journal*, Vol. 14(2), pp. 147-65.

Ramanna, K. (2012). "The international politics of IFRS harmonisation", *Accounting, Economics and Law*, Vol. 3(2), pp. 1-46.

Røvik, K. (1996). "De-institutionalization and the Logic of Fashion", in B. Czarniawska and G. Sevón (eds.), *Translating Organizational Change*. De Gruyter: Berlin.

Ryan, C., Guthrie, J., and Day, R. (2007). “Politics of Financial Reporting and the Consequences for the Public Sector”, *Abacus*, Vol. 43 (4), pp. 474-487.

Sahlin-Andersson, K. (1996). “Imitating by editing success: The construction of organization Fields”, in Czarniawska and Sevón (eds.) *Translating Organizational Change*. Berlin and New York: Walter de Gruyter.

Sahlin-Andersson, K. and Engwall, L. (eds.) (2002). *The Expansion of Management Knowledge*. Stanford: Stanford University Press.

Saunders, M., Thornhill, A. and Lewis, P. (2012). *Research methods for business students*. 6th Ed. Harlow: Financial Times Prentice Hall.

Schneiberg, M. (2007). “What's on the path? Path dependence, organizational diversity and the problem of institutional change in the US economy”, 1900–50 *Socio-Economic Review*, Vol 5 (1), pp. 47–80.

Selznick, P. (1949). “TVA and The Grass Roots: A Study in the Sociology of Formal Organization. Berkeley”. CA: University of California Press.

Siti-Nabiha, A. K. and Scapens, R. W. (2005). “Stability and change: an institutionalist study of management accounting change”, *Accounting, Auditing and Accountability Journal*, Vol. 18(1), pp. 44–73.

State Financial Accountability Assessment, (2004). “India-Orissa state financial accountability assessment”. South Asia Region: World Bank.

Thampu, V. (2001). "Operation West End", The Hindu, 20 March, [Online] Available at <http://www.thehindu.com/2001/03/20/stories/13200341.htm> [Accessed on 21 July 2014].

Tolbert, P. and Zucker, L. (1996). The institutionalization of institutional theory, in Clegg et al. (eds.), pp. 175–190.

Twelfth Finance Commission (2004). "Report of the Twelfth Finance Commission". New Delhi: Ministry of Finance.

United States Agency for International Development, (2004). "Indo-USAID financial institutions reforms and expansion project-debt & infrastructure component, FIRE-D project" New Delhi: USAID.

Unnithan, S. (2010). "Navy war room leak case: CBI initiates proceedings to deport Lieutenant (retd) Ravi Shankaran".

World Bank, (2004). "FY 05-08 World Bank group country strategy for India", New Delhi: World Bank.

World Bank (2010). “Report on Pilot Study on Migration to Accrual Accounting: Forest and Health Departments of State Government of Madhya Pradesh (India)”. Washington DC: World Bank.

Weber, M. (1978). “Economy and Society”. Berkeley, CA: University of California Press.

Welch, E. W., Hinnant, C. C. and Moon, M. J. (2004). “Linking citizen satisfaction with e-government and trust in government”, *Journal of Public Administration Research and Theory*, Vol. 15 (3), pp. 371–391.

Westney, E. (1987). *Imitation and Innovation*. Cambridge, MA: Harvard University Press.

Zucker, L. G. (1977). “The role of institutionalization in cultural perspective”. *American Sociological Review*, Vol 42, pp.726–743.

APPENDIX 1 Gaps and Similarities between IPSAS and Indian accounting standards

Issue	IPSAS Requirement	Gap	Similarity
1. General Purpose FS	Include FS presented separately or in another public document for example annual report	-----	Finance & Appropriation accounts of Central government & provinces constitute General Purpose FS of Govt- Requirements are met
2. Accounting Basis	Recognise transactions and other events only when cash is received or paid	Not strictly cash basis- in some cases accrual transactions are taken into account. There are also transactions that do not involve cash flows	
3. Accounting Policy	Accounting policy should be unambiguously stated by Government authorities	Accounting policies are not precisely revealed on the face of financial statements although the embodiment of policies is laid out in publicly available documents such as GAR.	
4. Financial Statements	General Purpose FS should: include specific components such as statements of cash receipts & payments, separately identify payments made by third parties on behalf of entity.	Transactions made by third parties are not distinctly recognised.	Other Cash IPSAS criteria broadly satisfied.
5. Entity	Recognition of all cash receipts, payments and balances controlled by the entity.	Consolidation of FS with controlling entity not envisaged due to practical	

Issue	IPSAS Requirement	Gap	Similarity
		issues.	
6. Notes to Financial Statements	Present information about the basis of preparation of FS and addition information necessary for fair presentation	No such requirement in India at present-needs to be incorporated into the system	
7. Reporting Date	Issue FS within 6 months of the reporting date	Not currently mandatory- Most often accounts are not placed in parliament or state legislature within 6 months	In practice accounts are targeted to be prepared within 6 months of reporting date as per instructions of CAG
8. Authorisation Date	Entity should disclose the date when FS were authorised and by whom. If a third party has power to amend FS, that should also be disclosed	No official authorisation date at present	Date at which CAG signs accounts or accounts are presented in parliament/ state legislature could be identified as authorisation date
9. Disclosures	Should disclose entity's – domicile and legal form, nature of operations and principal activities, relevant legislation governing operations	GAR currently do not require such disclosure	
10. Cash out of control	Should disclose in notes to FS cash balances not available for use by entity and subject to external restrictions, significant undrawn borrowing facilities available	No such requirement under GAR at present	
11. Consistency	Presentation and classification of items in FS should be retained from one period to the other		Preparation of FS in govt accounting system is consistent
12. Comparative Information	Comparative information w.r.t to previous period should be presented as part	Comparative accounts incorporated only in	Comparatives are provided in Appropriation

Issue	IPSAS Requirement	Gap	Similarity
	of narrative and descriptive information	some statements of financial accounts	accounts
13. Prior period adjustments and errors	Amendment of presentation/classification of items in FS should be accompanied by amendments in comparatives	At present comparative amounts are not restated for prior period amendments	
14. Identification of financial statements	FS should be clearly identified and distinguished from other information in the same document.		FS are clearly identified under government accounting
15. External Assistance	Disclosure requirements on external assistance by third parties, terms and conditions of assistance yet not complied to in case of cancellation	All requirements not met	Partial disclosure of details
16 Elimination of inter-departmental transactions	Transactions within various wings/departments of the same entity to be eliminated	In govt accounting, no elimination done of recoveries carried out by one department from another.	

Source: "A study on gap analysis of Indian Government Accounting with International Standards"(GASAB,2008)

APPENDIX 2 – INTERVIEW DETAILS

Interviewee Code	Position	Type of interview	Location	Date	Length of Interviews
1. PB1	Member of ICAI	Face to face & Telephone	New Delhi	July 2012	1 hour 25 minutes
2.PB2	Member of ICAI	Face to face	New Delhi	July 2012	1 hour
3.PB 3	Member of ICAI	Face to face	New Delhi	July 2012	1 hour 10 minutes
4.MoF 1	Member of MoF	Face to face & Telephone	New Delhi	April 2013 & May 2014	1 hour
5.MoF 2	Member of MoF	Face to face	New Delhi	April 2013	1 hour 30 minutes
6.MoF 3	Member of MoF	Face to face	New Delhi	April 2013	50 minutes
7.GB 1	Member of MCA	Face to face & Telephone	New Delhi	April 2013	1 hour
8.GB 2	Member of MCA	Face to face	New Delhi	April 2013	1 hour
9. IF 1	Member of World Bank	Face to face	New Delhi	April 2013	55 minutes
10. IF 2	Member of USAID	Face to face	New Delhi	April 2013 & May 2014	50 minutes

APPENDIX 3 – CLASSIFICATION OF DOCUMENTS ANALYSED

Documents Issued by	Examples of Documents
Government	Reports, Press Releases, Press Notes, General Notifications
Professional Bodies	Reports, President's Annual Message, Commentary letters, Exposure drafts, website material
Public practice accountancy firms	Reports by KPMG, PWC, Deloitte
Professional and Business Media outlets	The Guardian The New York Times The Hindu India Today

Appendix 4 - Indian Background

This section introduces the site of accounting reforms by presenting the structure of the government, the existing system of government accounts, the rationale for IPSAS convergence and key national players on the site.

1. The Context in India - Rationale and Initial Steps Towards IPSAS Convergence

One of the main reasons or rationale for IPSAS convergence is the rising trend of transfer of funds across nations. International investors would find it cumbersome, time consuming and costly to decipher financial statements that are prepared according to domestic accounting standards. Convergence with international accounting standards would render the financial statements user friendly and hence assist in attracting international investors that is, IPSAS convergence would provide international acceptance to the accounts prepared by the GOI. Hence IPSAS convergence would enhance the quality and comparability of the financial statements produced (GASAB, 2002).

IPSAS convergence initially commenced with steps to improve government accounting systems. One of the first steps towards IPSAS convergence by the Government of India (GOI) was the constitution of GASAB. In 2002, the government approved a recommendation made by the Comptroller and Auditor General (CAG) to constitute an entity for the purpose of establishing and improving government accounting standards and financial reporting of the union and provinces. The GASAB was constituted of representatives from all the above mentioned actors. Principal secretary/finance secretaries of four provinces were also to be part

of GASAB on rotation basis (GASAB, 2002). Hence it could be stated that the foundation for IPSAS convergence in India was laid in 2002 through attempts to reform the existing accounting system. The two major objectives of these reforms were revamping the existing cash system and enabling a subsequent migration to accrual accounting. Reforms included formulation of accounting and financial reporting standards for the central/union government, the provinces and union territories with legislature (GASAB, 2004a). For this purpose, Indian Government Accounting Standards (IGAS) for the current cash accounting system and Indian Government Financial Reporting Standards (IGFRS) for accrual accounting were formulated by GASAB. IGFRS was being framed for the purpose of facilitating pilot studies and research conducted by the GOI on accrual accounting system (GASAB, 2008). In accordance with the provisions of the Indian constitution, these standards were officially notified or announced by the GOI following recommendations from GASAB. The IGFRS have several similarities and gaps when compared to IPSAS and these are discussed below.

IPSASB issues standards that have mandatory requirements and those that have non mandatory requirements. Mandatory requirements of IPSAS are applicable to entities following cash accounting system. Adopting Cash IPSAS in India is considered to be an intermediate step for migration to accrual accounting. Although at present the cash accounting system followed is not fully aligned to Cash IPSAS, it does satisfy some of the requirements of the same. In 2008, GASAB conducted a gap analysis of the differences between the existing cash accounting system followed by GOI and the requirements of Cash IPSAS (GASAB, 2008). A few of the similarities and gaps are presented in Table 5, and a detailed list is presented in Appendix 1¹.

¹ From Appendix 1, it can be observed that there are several gaps and a few similarities between Cash IPSAS and government accounting in India. Some of the gaps have also been stated to be due to variations in the practical context in India. For instance, with regard to issue no.5 'entity' in Appendix 1, the GASAB report states that compliance with the requirements of Cash IPSAS in the Indian context would probably create distortion rather than clarity. This is because the extent of autonomy of the provincial governments and local bodies vis-a-vis the union government is not very clear. According to the report, a large part of social expenditure for provincial

National actors in the decision-making arena for public sector can be broadly classified into three categories; a) state, b) professional associations/institutes, c) regulatory authorities. Some examples of key state establishments involved in the decision-making process are the CAG of India, MoF, Ministry of Railways and Ministry of Defence. Professional associations participating in decision-making are the Institute of Chartered Accountants of India (ICAI) and Institute of Cost Accountants of India. RBI was the regulatory actor involved. The public sector decision-making process for convergence was driven by the state or central government and applicable to both central and provincial governments.

2. Structure of the government of India (GOI)

The constitution of India defines the country as a sovereign, socialist democratic republic (Dutt, 1998). It is a federation, constituted of 29 provinces and 7 union territories, with a parliamentary system that distributes power between the centre and provinces. It has three main branches which are the executive, the legislature and the judiciary. The Indian legislature functions under the Westminster style of parliament. It is constituted of the President of India and two houses; the lower house called the *Lok Sabha* and the upper house called the *Rajya Sabha* (National Portal of India, 2015). Government business is carried out by ministries, departments, secretariats and offices specified in the first schedule of these rules (Adukia, 2012). The central government has more than fifty ministries which are usually headed by cabinet ministers. Each ministry under the government is constituted of one or more departments and several departments have distinctive institutions attached to them such as

governments flow from the union government. In this context consolidation of government company accounts with that of the government could lead to artificial inflation of cash inflows and outflows thereby defeating the purpose of improving the presentation of financial statements (GASAB, 2008). In several other cases the report appreciates the necessity and benefits of Cash IPSAS standards and recommends the incorporation of these standards.

commissions, departmental undertakings, boards and government owned organisations (Adukia, 2012).

3. Existing Accounting Basis in the Public Sector

Government accounts in India are maintained in three parts: a) Consolidated Fund - Revenues from sources such as customs, central excise, income taxes and other non-tax sources, internal debt such as treasury bills and external debt such as loans from IFIs are credited to this account. This account also meets the expenditure of the government with authorisation from Parliament (Adukia, 2012). b) Contingency Fund - This account is controlled by the MoF and is used to meet unforeseen expenditures which are returned to the fund on receiving authorisation from the Parliament for additional expenditure. Hence this fund performs the function of an imprest² account for the government (Adukia, 2012). c) Public Account -Transactions wherein the government incurs a liability to repay or recover an amount received or paid are recorded in this account under debts, deposits and advances. Remittance and suspense transactions include all adjusting heads. Corresponding receipts or payments are made to clear the initial debits or credits to these adjusting heads. Normal receipts of the government do not include receipts under this account and hence payments made from this account do not require parliamentary authorisation (Adukia, 2012).

These accounts have been maintained on a cash basis according to Government Accounting Rules (GAR) 1990 framed under Article 150 of the Indian constitution. However, it has become widely recognised that this basis of accounting has short-comings compared to accrual accounting (GASAB, 2008). One of the shortcomings of the cash system currently used to

² A fund used for small items of expenditure and periodically returned to a fixed amount

maintain government accounts is that it is based on inputs and outputs and that it does not represent what was budgeted by the government. Another issue raised was that the cash system does not complete financial information for resource management. Also, it neither provides a full picture of the government's financial position at any given point nor does it represent the changes that take place over time. It has been further noted that the system does not reflect the government's liabilities such as accrued liabilities on interest payments due, dues on account of pensions and superannuation benefits (Twelfth Finance Commission Report, 2004). Also current assets and non-financial assets are not tracked. Cash system does not provide information on assets held by the government; further it does not ascertain the full cost of holding and operating these assets and the full cost of providing services by the government's departments or future commitments. Cash based system of accounting also creates ambiguity; excess tax revenues can be collected during a period followed by high incidence of refunds, allows for easy deferring of payments and passing them on to future periods, provides for one-time receipts thereby allowing future revenues to be compromised (Twelfth Finance Commission Report, 2004; GASAB Report, 2011b). The short-comings of cash basis of accounting have been cited as a major reason for the transition to accrual accounting which in India as elsewhere, is to be achieved by first aligning with cash IPSAS. The steps being taken to achieve this are discussed in sections 5 and 6 this paper.